



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

February 3, 2010

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To: Supervisor Gloria Molina, Chair  
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Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", is written over the printed name and title.

## **PRESIDENT'S PROPOSED FEDERAL FISCAL YEAR 2011 BUDGET**

### **Budget Overview**

On February 1, 2010, President Obama released his proposed \$3.834 trillion budget for Federal Fiscal Year (FFY) 2011, which will begin on October 1, 2010. The President's Proposed FFY 2011 Budget would reduce the Federal budget deficit from an estimated \$1.566 trillion in FFY 2010 to \$1.267 trillion in FFY 2011. To reduce the size of the Federal budget deficit, the President proposes a three-year freeze on overall spending for all non-security "discretionary" spending, which is spending set in annual appropriations bills. The only "security" discretionary spending received by the County are state and local grants administered by the Department of Homeland Security. Non-security discretionary spending represents 17 percent of total Federal spending and an even smaller percentage of total funding received by the County under Federal programs. Entitlement programs -- most notably, Medicaid, Title IV-E foster care and adoption assistance, Temporary Assistance for Needy Families (TANF), and child support enforcement -- account for far more of the County's revenue, especially when one counts State matching and maintenance-of-effort funds.

This update will address the major proposed changes to current funding levels and current law that are of interest to the County. Typically, Congress enacts very few, if any, major changes to health and welfare entitlement programs, and funds the vast majority of state and local grant programs at or near their prior year levels. We

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anticipate that this also would be the case this year with the major exception of major spending increases that might be enacted through health care reform or jobs legislation.

Major budget proposals of County interest include:

### **Six-Month Extension of ARRA's FMAP Increase**

The President proposes a six-month extension of the temporary Federal match rate ("FMAP") increase for Medicaid and Title IV-E foster care and adoption assistance, enacted in the American Recovery and Reinvestment Act (ARRA), which, otherwise, would expire on December 31, 2010. Under ARRA, California's Medicaid FMAP was temporarily increased from 50 percent to 61.59 percent while its Title IV-E FMAP was increased from 50 percent to 56.2 percent.

### **TANF Emergency Contingency Fund**

The proposed budget would provide \$2.5 billion in new appropriations for ARRA's TANF ECF, and extend its authorization for an additional year through September 30, 2011. The TANF ECF, which received a one-time appropriation of \$5 billion under ARRA, can be used by states to offset 80 percent of increased expenditures on basic assistance, subsidized employment, and/or non-recurrent short-term benefits from a corresponding quarter in a base year of FFY 2007 or 2008. We understand that the Administration also is proposing other changes to the TANF ECF, including to reimburse 100 percent of subsidized employment expenditures. However, it has not yet publicly released any detailed language specifying its proposed changes to the TANF ECF.

### **Child Support Enforcement Matching Funds**

The proposed budget includes a one-year extension of ARRA's provision which allows states to use Federal child support performance incentive payments as part of the state share of child support enforcement expenditures that are eligible for Federal matching funds in FFYs 2009 and 2010. This extension would increase Federal matching funds to states by an estimated \$669 million. States were permitted to use performance incentive payments as matching funds until its use was eliminated under the Deficit Reduction Act of 2005.

### **Food Stamp Eligibility**

The President proposes to expand Food Stamp eligibility by increasing the asset limit for eligible households from \$2,000 to \$10,000.

### **Build America Bonds**

The President proposes to make permanent ARRA's Build America Bond (BAB) Program under which the Federal government subsidizes 35 percent of interest payments paid on certain taxable state or local government issued bonds, thereby lowering their borrowing costs. The program would expire on December 31, 2010 under current law. The proposed budget also would expand the bond authority to cover the refinancing of already completed capital projects and financing of government operating costs and to allow non-profit hospitals and universities to issue BABs. The size of the Federal subsidy would be reduced from 35 percent to 28 percent, which would help offset the increased Federal costs of extending BABs and allowing non-profits to issue them.

### **C-17 Transport Aircraft Production**

The Administration proposes to eliminate the production of C-17 transport/cargo aircraft because it believes that the number of C-7s on order is sufficient to meet Department of Defense needs. Congress appropriated \$2.5 billion for C-17 production in FFY 2010.

### **Funding for Congressionally Earmarked Projects**

Similar to last year, the President is seeking to significantly reduce funding for congressionally earmarked projects. The Proposed FFY 2011 Budget would eliminate funding for a number of programs, which are used by Congress to earmark funding for projects, such as Byrne Discretionary Grants in the Department of Justice, the Economic Development Initiative in the Department of Housing and Urban Development (HUD), and Surface Transportation Priorities in the Department of Transportation. Earmarked funding for projects, however, has widespread support in Congress.

### **Child Care and Development Block Grants**

The President proposes to increase funding for the Child Care and Development Block Grant by \$1.6 billion to \$6.6 billion. He also proposes that the entitlement portion of the block grant be annually adjusted for inflation after FFY 2011.

### **Fatherhood, Marriage, and Families Innovation Fund**

The proposed budget would establish a new \$500 million Fatherhood, Marriage, and Families Innovation Fund, which would provide competitive grants to states for program innovations aimed at strengthening families through investing in comprehensive

responsible fatherhood initiatives and removing barriers to economic self-sufficiency faced by custodial parents.

### **Administration on Aging (AoA) Caregiver Initiative**

The proposed budget includes \$102.5 million for an AoA Caregiver Initiative to help families to care for aging relatives by increasing funding for the Family Caregiver Support Services Program by \$50 million, the Home and Community-Based Supportive Services Program by \$48 million, and respite care services by \$2.5 million.

### **Department of Labor Programs**

The Department of Labor's (DOL) proposed budget includes \$261 million for a new Partnership for Workforce Innovation between DOL and the Department of Education. This new partnership includes a Youth Innovation Fund for creating summer and year-round employment opportunities for youth and work experience for out-of-school youth, and a Workforce Innovation Fund for serving adults and dislocated workers. Workforce Investment Act (WIA) Youth formula grant funding would be reduced from \$924 million to \$871 million in FFY 2011 while WIA Adult and Dislocated Worker formula grant funding would remain the same. Funding for Green Jobs competitive grants would increase from \$40 million to \$85 million in FFY 2011.

### **Housing and Urban Development (HUD) Programs**

The President proposes to reduce funding for the HOME Investment Partnership Program, which is used to increase the supply of affordable housing for low-income families, by \$175 million from \$1.825 billion in FFY 2010 to \$1.650 billion in FFY 2011. The Administration also proposes to eliminate the \$18 million Brownfields Economic Development Initiative, which supports the redevelopment of brownfields sites, and the Section 108 loan guarantee program, which enables local governments to transform a small portion of their Community Development Block Grant funds into federally guaranteed loans used to finance economic and physical revitalization projects.

### **Department of Homeland Security (DHS) Grants**

The proposed budget would increase funding for the State Homeland Security Grant Program from \$890 million to \$1 billion and the Urban Area Security Initiative (UASI) Grants from \$866 million to \$900 million in FFY 2011, excluding \$200 million in UASI funding for additional security associated with hosting terror-related trials. Funding for Firefighting Assistance Grants would be reduced from \$390 million to \$310 million in FFY 2011 while firefighter hiring grants (SAFER) would be reduced from \$420 million to

Each Supervisor  
February 3, 2010  
Page 5

\$310 million. The President also proposes to eliminate the \$50 million Interoperable Emergency Communications Grant Program.

### **Department of Justice Programs**

The President proposes to double funding for Community Oriented Policing Services hiring grants to \$600 million. Unlike last year, the State Criminal Alien Assistance Program (SCAAP), which is funded at \$330 million, is not proposed for elimination by the President. However, the \$31 million Southwest Border Prosecutor Initiative, which reimburses state and local governments in Southwest border states, including California, for their cost of prosecuting criminal cases declined by U.S. Attorneys, would be eliminated.

### **Army Corps of Engineers Civil Works Projects**

The proposed budget for Army Corps of Engineers ("Corps") civil works projects includes \$2.05 million for Marina del Rey dredging in FFY 2011. Last year, the President did not request any funding for Marina del Rey dredging, but Congress appropriated \$1.406 million for the project. In addition, the proposed budget requests \$7.035 million for maintenance of the Los Angeles County Drainage Area, which represents a significant increase over the \$4.369 million appropriated for its maintenance in FFY 2010.

We will continue to keep you advised.

WTF:RA  
MT:er

c: All Department Heads  
Legislative Strategist